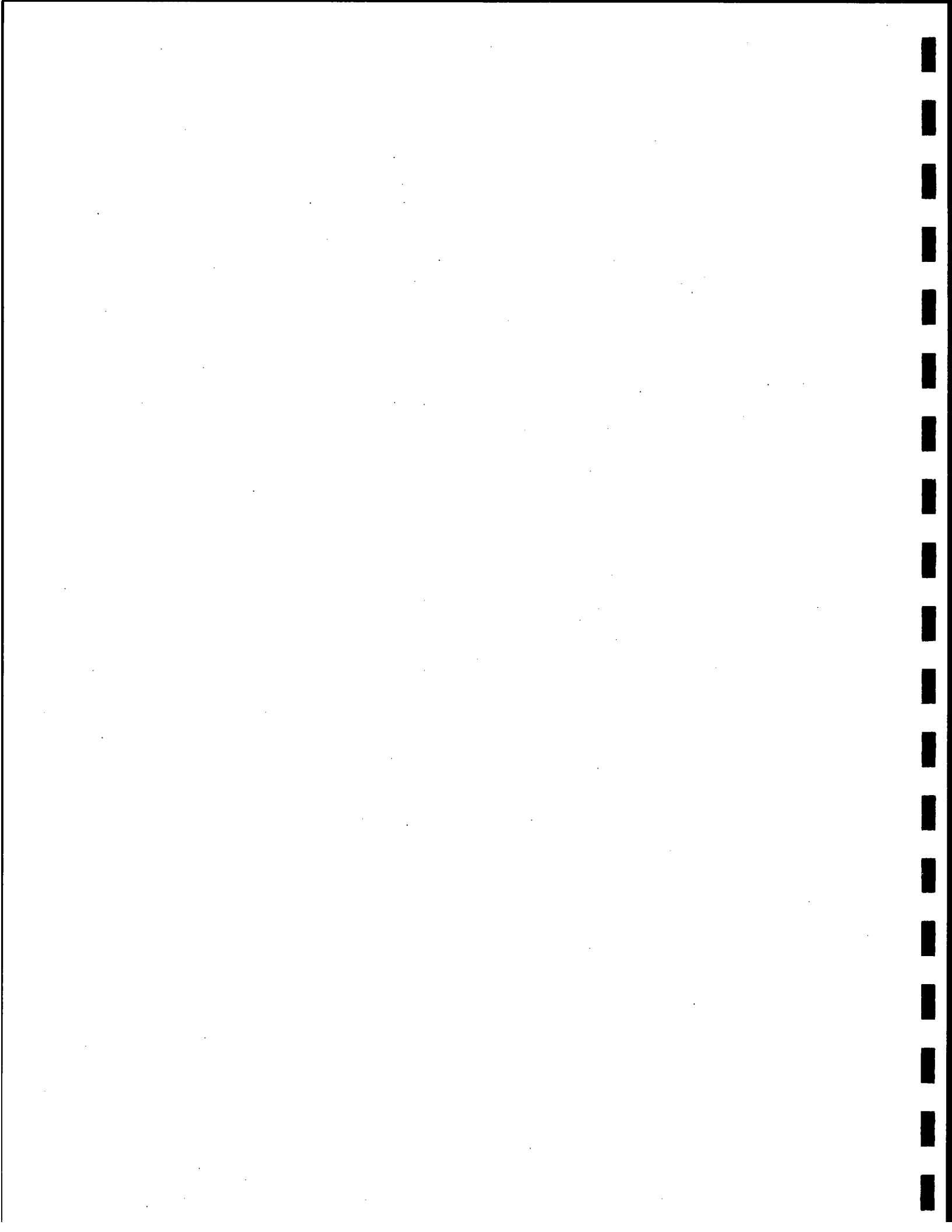


STERLING TOWN
FINANCIAL STATEMENTS
JUNE 30, 2006

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Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

Honorable Mayor and Town Council
Sterling Town
Sterling, Utah 84665

We have compiled the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Sterling Town as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents, in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion, or any other form of assurance, on them.

The management's discussion and analysis and budgetary comparison information, on pages 4 through 14 and 41 through 43, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Respectfully submitted,


KIMBALL & ROBERTS, P. C.

Certified Public Accountants

December 15, 2006
Richfield, Utah

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is used to assist in formatting, for easier reading)

**STERLING TOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2006**

This discussion of Sterling Town's financial performance provides an overview of the Town's financial activities for the year ending June 30, 2006. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, highways and public improvements, culture and recreation and airport.

Financial Highlights

- * The assets of the Town exceeded its liabilities as of the close of the most recent year by \$1,111,780 (net assets). Of this amount, \$31,397 (unrestricted net assets) which may be used to meet its ongoing obligations to citizens and creditors.
- * The government's total net assets decreased by \$24,672. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts in the general fund.
- * At the close of the current year, the Town's governmental funds reported ending fund balance of \$52,371, an increase of \$13,978 in comparison with the prior year. Approximately 55 percent of this total amount, \$28,774 is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$28,774, or 59 percent of total total general fund expenditures.
- * The Town's total debt decreased by \$13,963 during the current year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

STERLING TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the Town include general government, public safety, highways and public improvements, parks and recreation, and airports. The business-type activities of the Town are water operations.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Sterling Town maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund,

The Town adopts an annual appropriated budget for its governmental fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with those budgets.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Sterling Town maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, garbage and landfill.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

STERLING TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Town.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Sterling Town, assets exceeded liabilities by \$1,111,780 at the close of the most recent fiscal year. By far the largest portion of the Town's net assets (94 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Town's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$31,397, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, the Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Sterling Town's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	52,371	38,394	18,587	27,698	70,958	66,092
Capital Assets	168,500	178,000	1,033,230	1,065,694	1,201,730	1,243,694
Total Assets	220,871	216,394	1,051,817	1,093,392	1,272,688	1,309,786
Long-Term Liabilities	-	-	148,085	162,246	148,085	162,246
Other Liabilities	-	-	12,823	11,088	12,823	11,088
Total Liabilities	-	-	160,908	173,334	160,908	173,334
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	168,500	178,000	873,859	892,360	1,042,359	1,070,360
Restricted	23,597	16,577	14,427	14,420	38,024	30,997
Unrestricted	28,774	21,817	2,623	13,278	31,397	35,095
Total Net Assets	220,871	216,394	890,909	920,058	1,111,780	1,136,452

STERLING TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental Activities

Governmental activities increased the town's net assets by \$4,477.

Sterling Town Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenues:						
Program Revenues:						
Charges for Services	6,228	3,694	26,233	21,554	32,461	(25,248)
Operating Grants	18,481	12,948	-	-	18,481	12,948
General Revenues:						
Property Taxes	6,920	8,147	-	-	6,920	8,147
Other Taxes	29,638	24,654	-	-	29,638	24,654
Other Revenue	487	2,710	-	-	487	2,710
Unrestricted Investment Earnings	1,362	6,139	-	238	1,362	6,377
Total Revenues	<u>63,116</u>	<u>58,292</u>	<u>26,233</u>	<u>21,792</u>	<u>89,349</u>	<u>29,588</u>
Expenses:						
General Government	22,063	21,494	-	-	22,063	21,494
Public Safety	18,452	8,687	-	-	18,452	8,687
Highways and Public Improvements	8,106	36,637	-	-	8,106	36,637
Culture and Recreation	10,018	13,285	-	-	10,018	13,285
Interest on Long-Term Debt	-	-	1,001	2,225	1,001	2,225
Water Expenses	-	-	54,381	37,894	54,381	37,894
Total Expenses	<u>58,639</u>	<u>80,103</u>	<u>55,382</u>	<u>40,119</u>	<u>114,021</u>	<u>120,222</u>
Increase in Net Assets Before Transfers	4,477	(21,811)	(29,149)	(18,327)	(24,672)	(40,138)
Transfers	-	-	-	-	-	-
Increase in Net Assets	4,477	(21,811)	(29,149)	(18,327)	(24,672)	(40,138)
Net Assets - Beginning	<u>216,394</u>	<u>238,205</u>	<u>920,058</u>	<u>938,385</u>	<u>1,136,452</u>	<u>1,176,590</u>
Net Assets - Ending	<u>220,871</u>	<u>216,394</u>	<u>890,909</u>	<u>920,058</u>	<u>1,111,780</u>	<u>1,136,452</u>

* The Town received operating grants of \$18,481. Of this amount, \$10,775 was received for Class C Roads.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

STERLING TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Business-Type Activities

Business-type activities decreased the Town's net assets by \$29,149. No operating grants were received.

- * The total increase in the business-type activities costs for the water fund is attributed to increased operating costs.
- * The depreciation in the enterprise funds was \$32,464.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the year, the Town's governmental fund (general fund) reported ending fund balances of \$40,608, an increase of \$13,491 in comparison with the prior year. Approximately 71 percent of this amount (\$28,774) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to Class C Roads for \$11,834.

As a measure of the general fund's liquidity, it may be useful to compare both *unreserved fund balance* and total fund balance to total fund expenditures. *Unreserved fund balance* represents 59 percent of total general fund expenditures, while total fund balance represents 83 percent of that same amount.

Proprietary Funds

The Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water fund at the end of the year was \$2,623.

General Fund Budgetary Highlights

There were no differences between the original budget and the final amended budget.

Actual revenues were less than budgeted revenues by \$15,070 and actual expenditures were less than budgeted expenditures by \$28,561 resulting in a net decrease in fund balance of \$13,491.

STERLING TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital Asset and Debt Administration

Capital Assets

Sterling Town's investment in capital assets for its governmental activities as of June 30, 2006, was \$168,500 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which includes roads and highways.

Sterling Town's Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	23,800	23,800	62,662	62,662	86,462	86,462
Water Shares	-	-	52,600	52,600	52,600	52,600
Infrastructure	24,000	27,000	-	-	24,000	27,000
Buildings	105,200	108,600	4,364	4,636	109,564	113,236
Improvements Other than Buildings	-	-	909,266	941,404	909,266	941,404
Equipment	<u>15,500</u>	<u>18,600</u>	<u>4,338</u>	<u>4,392</u>	<u>19,838</u>	<u>22,992</u>
Total	<u>168,500</u>	<u>178,000</u>	<u>1,033,230</u>	<u>1,065,694</u>	<u>1,201,730</u>	<u>1,243,694</u>

Additional information on the Town's capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, the Town's had total bonded debt outstanding of \$159,371. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Sterling Town's Long-Term Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Revenue Bonds	<u>-</u>	<u>-</u>	<u>159,371</u>	<u>173,334</u>	<u>159,371</u>	<u>173,334</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 4 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

Additional information on Sterling Town's long-term debt can be found in the notes of the financial statements.

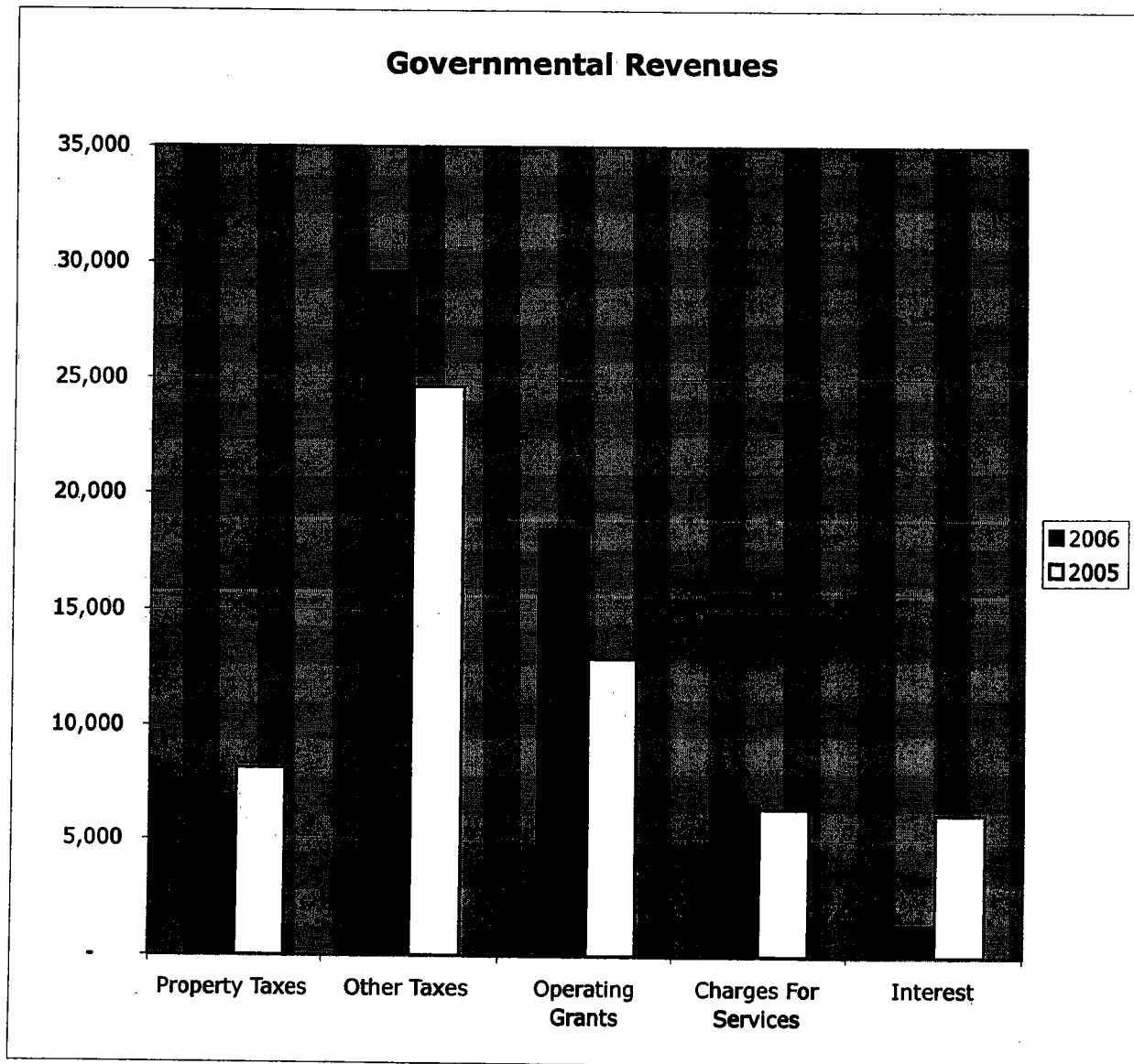
STERLING TOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2006

Request for Information

This financial report is designed to provide a general overview of Sterling Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Sterling Town Clerk, 110 West 100 North, Sterling, Utah, 84665.

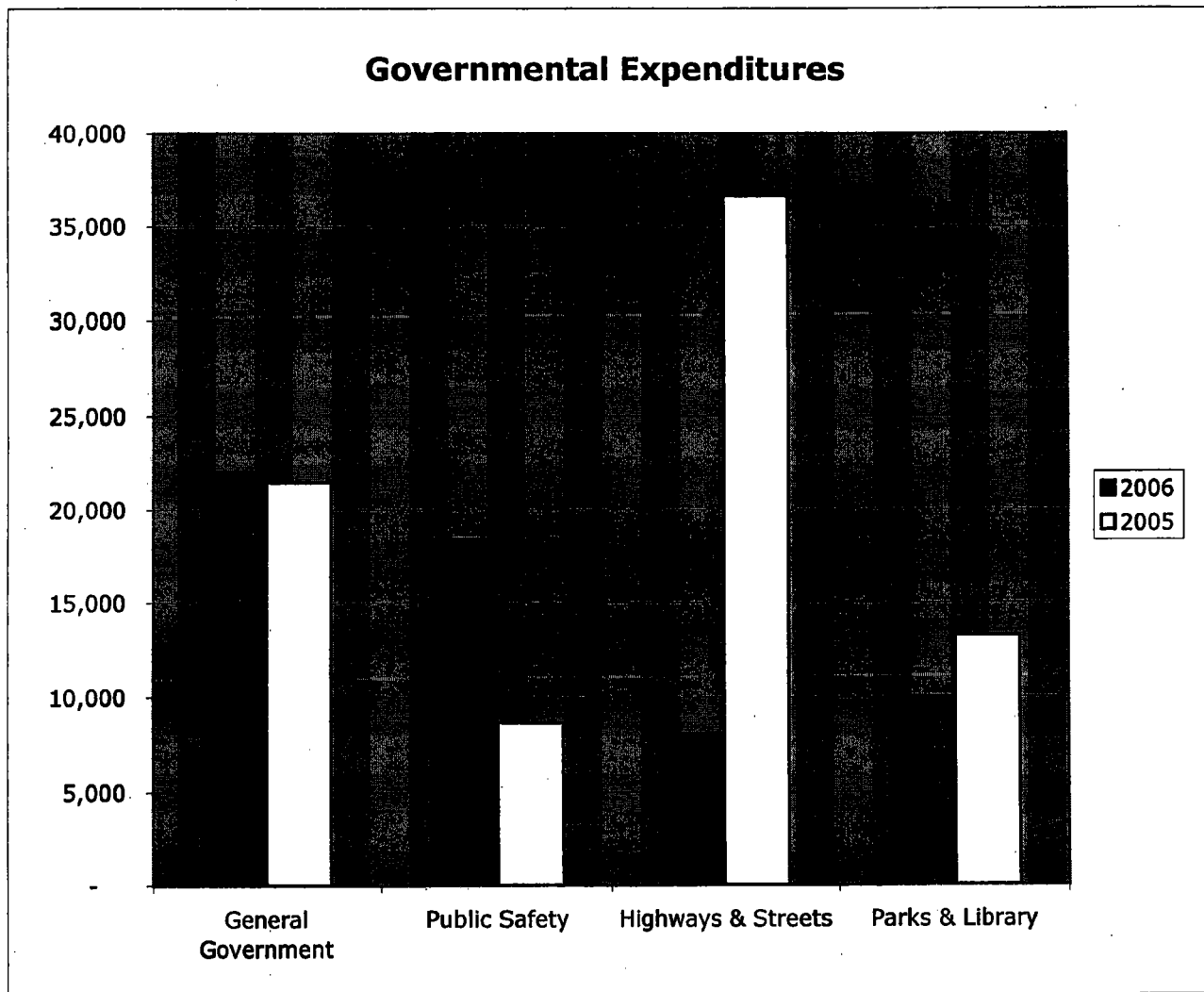
**Sterling Town
Governmental Revenues
For The Fiscal Years Ending June 30, 2006 and 2005**

	2006	2005
Property Taxes	6,920	8,147
Other Taxes	29,638	24,654
Operating Grants	18,481	12,948
Charges For Services	6,715	6,404
Interest	1,362	6,139
Total Revenues	63,116	58,292



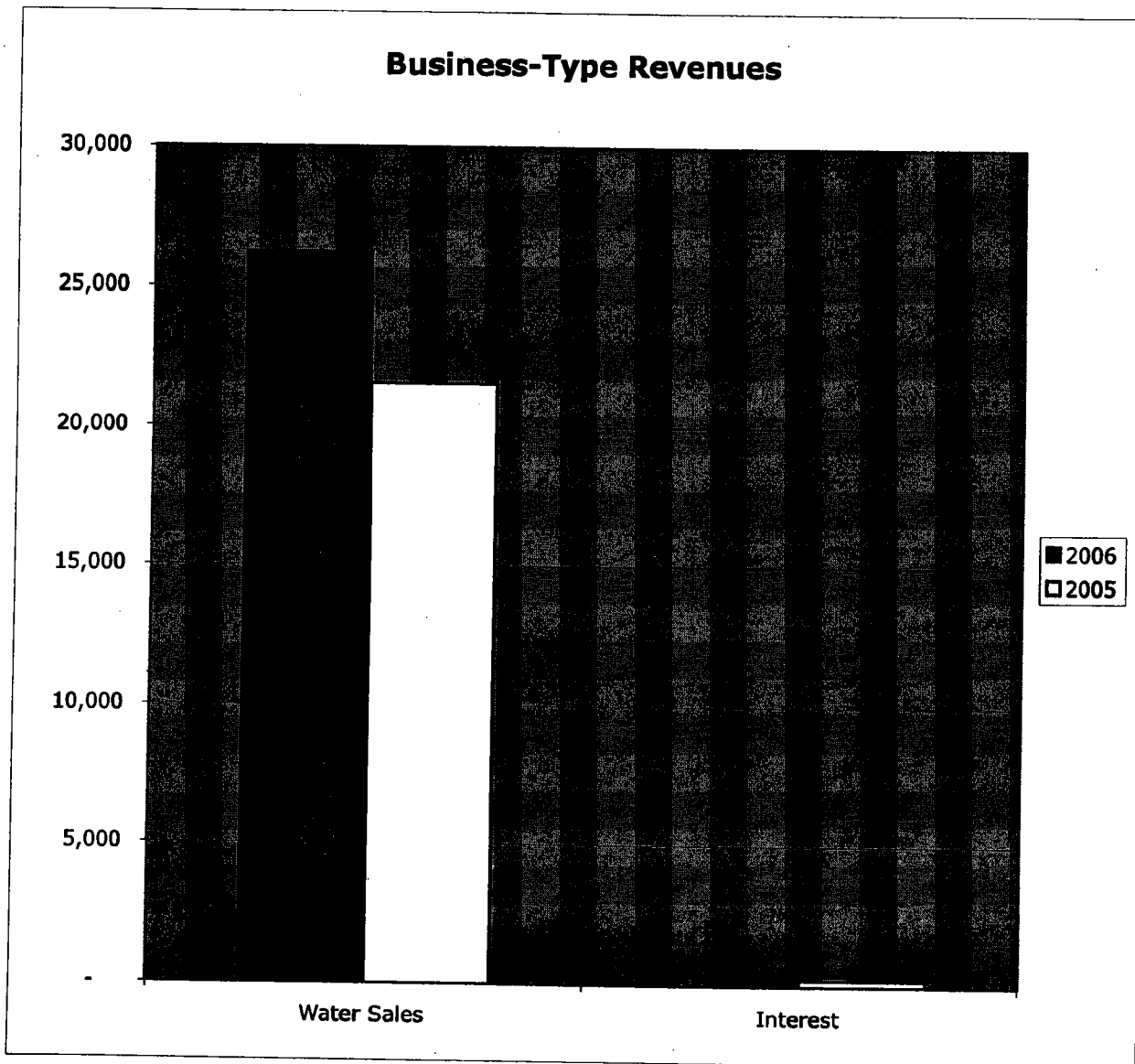
Sterling Town
Governmental Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
General Government	22,063	21,494
Public Safety	18,452	8,687
Highways & Streets	8,106	36,637
Parks & Library	10,018	13,285
Total Expenditures	58,639	80,103



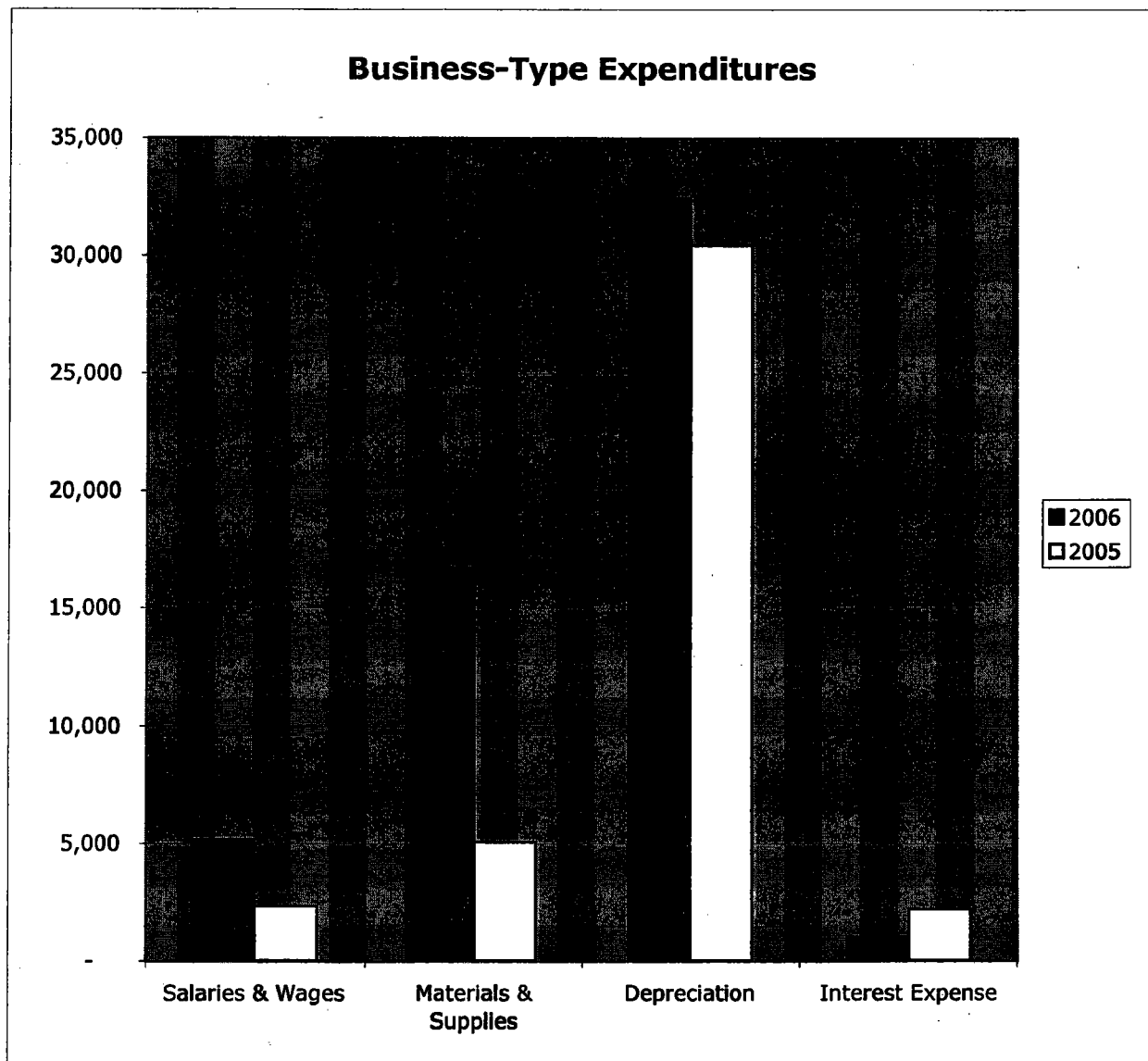
**Sterling Town
Business-Type Revenues
For The Fiscal Years Ending June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Water Sales	26,233	21,554
Interest	-	238
 Total Revenues	 <u>26,233</u>	 <u>21,792</u>



Sterling Town
Business Type Expenditures
For The Fiscal Years Ending June 30, 2006 and 2005

	2006	2005
Salaries & Wages	5,186	2,357
Materials & Supplies	16,731	5,073
Depreciation	32,464	30,464
Interest Expense	1,001	2,225
Total Expenditures	55,382	40,119



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is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**STERLING TOWN
STATEMENT OF NET ASSETS**

June 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	48,562	-	48,562
Accounts Receivable (Net)	-	3,128	3,128
Notes Receivable	-	1,032	1,032
Due From Other Fund	1,537	-	1,537
Due From Other Government Units	2,272	-	2,272
Total Current Assets	52,371	4,160	56,531
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	14,427	14,427
Capital Assets (Net of Accumulated Depreciation):			
Land	23,800	62,662	86,462
Water Rights	-	52,600	52,600
Buildings	105,200	4,364	109,564
Equipment	15,500	4,338	19,838
Water Systems	-	909,266	909,266
Infrastructure	24,000	-	24,000
Total Noncurrent Assets	168,500	1,047,657	1,216,157
TOTAL ASSETS	220,871	1,051,817	1,272,688
LIABILITIES			
Current Liabilities:			
Due to Other Fund	-	1,537	1,537
Revenue Bonds Payable - Due Within One Year	-	11,286	11,286
Total Current Liabilities	-	12,823	12,823
Noncurrent Liabilities:			
Revenue Bonds Payable - Due More Than One Year	-	148,085	148,085
TOTAL LIABILITIES	-	160,908	160,908
NET ASSETS			
Investment in Capital Assets, Net of Debt	168,500	873,859	1,042,359
Restricted For:			
Class C Road	11,834	-	11,834
Bond Retirement	-	14,427	14,427
Perpetual Care	11,763	-	11,763
Unrestricted	28,774	2,623	31,397
TOTAL NET ASSETS	220,871	890,909	1,111,780
TOTAL LIABILITIES AND NET ASSETS	220,871	1,051,817	1,272,688

See accompanying notes and accountant's report.

**STERLING TOWN
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2006

Function/Programs Primary Government:	Expenses	Program Revenues		Net (Expense) Revenues and		
		Charges for Operating Services	Grants/Contributions	Capital Grants/Contributions	Governmental Activities	Business-Type Activities
Governmental Activities:						
General Government	22,063	6,228	-	-	(15,835)	-
Public Safety	18,452	-	7,706	-	(10,746)	-
Highways and Public Improvements	8,106	-	10,775	-	2,669	-
Culture and Recreation	10,018	-	-	-	(10,018)	-
Interest on Long-Term Debt	-	-	-	-	-	(1,001)
Total Governmental Activities	58,639	6,228	18,481	-	(33,930)	(1,001)
					(34,931)	
Business-Type Activities:						
Water Systems	54,381	26,233	-	-	-	(28,148)
Total Primary Government	113,020	32,461	18,481	-	(33,930)	(29,149)
					(63,079)	
General Revenues:						
Property Taxes					6,920	-
Fee-In-Lieu of Property Taxes					3,721	-
Sales Taxes					25,917	-
Perpetual Care					487	-
Unrestricted Investment Earnings					1,362	-
Total General Revenues and Transfers					38,407	-
					(29,149)	(24,672)
Change in Net Assets						
Net Assets - Beginning					216,394	920,058
Net Assets - Ending					220,871	890,909
					1,136,452	1,111,780

See accompanying notes and accountant's report.

**STERLING TOWN
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2006

	<u>General Fund</u>	<u>Nonmajor Perpetual Care Permanent Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	36,799	11,763	48,562
Due From Other Funds	1,537	-	1,537
Due From Other Government Units	<u>2,272</u>	<u>-</u>	<u>2,272</u>
TOTAL ASSETS	<u><u>40,608</u></u>	<u><u>11,763</u></u>	<u><u>52,371</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved For:			
Class "C" Road	11,834	-	11,834
Perpetual Care	-	11,763	11,763
Unreserved, Reported In:			
General Fund	<u>28,774</u>	<u>-</u>	<u>28,774</u>
Total Fund Balance	<u><u>40,608</u></u>	<u><u>11,763</u></u>	<u><u>52,371</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>40,608</u></u>	<u><u>11,763</u></u>	<u><u>52,371</u></u>

See accompanying notes and accountant's report.

STERLING TOWN
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2006

Total Fund Balances - Governmental Fund Types	52,371
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Land	23,800	
Buildings	105,200	
Equipment	15,500	
Infrastructure	<u>24,000</u>	

Total		<u>168,500</u>
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Net Assets of Government Activities	<u><u>220,871</u></u>
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STERLING TOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2006

	General Fund	Nonmajor Perpetual Care Permanent Fund	Total Governmental Funds
Revenues:			
Taxes	36,558	-	36,558
Licenses and Permits	166	-	166
Intergovernmental Revenue	18,481	-	18,481
Charges for Services	288	-	288
Interest	1,362	-	1,362
Perpetual Care	-	487	487
Miscellaneous Revenues	5,775	-	5,775
	<u>62,630</u>	<u>487</u>	<u>63,117</u>
Total Revenues			
	<u>62,630</u>	<u>487</u>	<u>63,117</u>
Expenditures:			
Current:			
General Government	18,663	-	18,663
Public Safety	11,384	-	11,384
Highways and Public Improvements	4,506	-	4,506
Culture and Recreation	8,218	-	8,218
Capital Outlay	6,368	-	6,368
	<u>49,139</u>	<u>-</u>	<u>49,139</u>
Total Expenditures			
	<u>49,139</u>	<u>-</u>	<u>49,139</u>
Net Change In Fund Balance	13,491	487	13,978
Fund Balance - Beginning	27,117	11,276	38,393
Fund Balance - Ending	<u>40,608</u>	<u>11,763</u>	<u>52,371</u>

See accompanying notes and accountant's report.

STERLING TOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	13,977
---	--------

Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current period:

Depreciation Expense	<u>(9,500)</u>
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Changes In Net Assets of Governmental Activities	<u><u>4,477</u></u>
--	---------------------

**STERLING TOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise Water Fund
ASSETS:	
Current Assets:	
Due From Other Governments	3,128
Note Receivable	<u>1,032</u>
Total Current Assets	<u>4,160</u>
Noncurrent Assets:	
Investments - Restricted:	
Bond Retirement	14,427
Capital Assets: (Net of Accumulaated Depreciation)	
Land	62,662
Water Rights	52,600
Buildings	4,364
Water System	909,266
Equipment	<u>4,338</u>
Total Noncurrent Assets	<u>1,047,657</u>
TOTAL ASSETS	<u><u>1,051,817</u></u>
LIABILITIES:	
Current Liabilities:	
Due to Other Funds	1,537
Bonds Payable - Due Within One Year	<u>11,286</u>
Total Current Liabilities	<u>12,823</u>
Noncurrent Liabilities:	
Bonds Payable - Due More Than One Year	<u>148,085</u>
TOTAL LIABILITIES	<u>160,908</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	873,859
Restricted for Bonded Retirement	14,427
Unrestricted	<u>2,623</u>
TOTAL NET ASSETS	<u>890,909</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1,051,817</u></u>

See accompanying notes and accountant's report.

STERLING TOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2006

	Business-Type Activity Enterprise Water Fund
Operating Revenues:	
Charges for Sales and Services:	
Fees	23,580
Connection Fees	1,729
Other	924
	<hr/>
Total Operating Revenues	26,233
	<hr/>
Operating Expenses:	
Salaries and Wages	5,186
Materials and Supplies	16,731
Depreciation	32,464
	<hr/>
Total Operating Expenses	54,381
	<hr/>
Operating Income	(28,148)
	<hr/>
Nonoperating Revenues (Expenses):	
Interest Expense	(1,001)
	<hr/>
Total Nonoperating Revenues (Expenses)	(1,001)
	<hr/>
Change in Net Assets	(29,149)
	<hr/>
Total Net Assets - Beginning	920,058
	<hr/>
Total Net Assets - Ending	890,909
	<hr/> <hr/>

See accompanying notes and accountant's report.

**STERLING TOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2006

	Business-Type Activity Enterprise <u>Water Fund</u>
Cash Flows From Operating Activities:	
Receipts From Customers	27,058
Payments to Suppliers	(16,731)
Payments to Employees	<u>(5,186)</u>
Net Cash Provided by Operating Activities	<u>5,141</u>
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on Capital Debt	(13,963)
Interest Paid on Capital Debt	<u>(1,001)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(14,964)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(9,823)
Cash and Cash Equivalents - Beginning	<u>24,250</u>
Cash and Cash Equivalents - Ending	<u><u>14,427</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	<u>(28,148)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities:	
Depreciation	32,464
Increase (Decrease) in Operating Assets:	
Accounts Receivable	(1,428)
Notes Receivable	716
Accounts Payable	<u>1,537</u>
Total Adjustments	<u>33,289</u>
Net Cash Provided (Used) by Operating Activities	<u><u>5,141</u></u>

See accompanying notes and accountant's report.

STERLING TOWN
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sterling Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2006.

The following is a summary of the more significant policies:

A. Reporting Entity

Sterling Town is a municipal corporation in Sanpete County, Utah. It is governed by an elected Mayor and four member board. As required by generally accepted accounting principles, these financial statements are of the primary government, Sterling Town, the reporting entity. The Town has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

STERLING TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Sterling Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government also reports the following non-major governmental fund:

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

The Government reports the following Proprietary Funds:

The Utility Funds accounts for the activities of the Town water operations. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

STERLING TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

STERLING TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Water System	40 Years
Buildings	40 Years
Equipment	10 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Property Taxes

Property taxes are assessed and collected for the Town by San Pete County and remitted to the Town shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

STERLING TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Budgets and Budgetary Accounting:

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and Town Board on or before June 22 for the following Fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the Town Board at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the Town's budgetary control (the level at which the Town's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Some Towns find themselves with a deficit fund balance in one or more of their funds. The State Auditor has taken the position that a deficit, created by expenditures being made in excess of those budgeted, is an illegally created debit in violation of the Utah Constitution, Section XIV(3). As such, the total illegally created deficit should be budgeted to be made up in the following fiscal year. Deficits arising from emergencies are not illegal and may be retired over 5 years. Maximum in the general funds may not exceed 75% of the total estimated revenue of the general fund.

Once adopted, the budget may be amended by the Town council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

NOTE 2 - DEPOSITS AND INVESTMENTS

Sterling Town maintains a cash investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents".

Deposits:

At year end, the carrying amount of the Town's deposits was \$30,720 and the bank balances were \$34,755. All of the bank balances were covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the Money Management Council.

STERLING TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Cash and investments as of June 30, 2006, consist of the following:

	<u>Fair Value</u>
Demand Deposits - Checking	30,720
Investment - PTIF	<u>32,269</u>
Total Cash and Investments	<u><u>62,989</u></u>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Governmental Activities	48,562
Business-Type Activities - Restricted	<u>14,427</u>
Total Cash and Cash Equivalents	<u><u>62,989</u></u>

The Utah Money Management Act (UMMA) established specific requirements regarding deposits of public funds by public treasurers. UMMA requires that Town funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations.

PTIF operations and portfolio composition is monitored at least semi-annually by Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

STERLING TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. The balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares.

Deposits and investments for local government are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and by rules of the Utah Management Council ("the Council"). Following are discussions of the local government's exposure to various risks related to its cash management activities.

Custodial Credit Risk:

Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the local government's deposits may not be recovered. The local government's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$0 of the local government's bank balances of \$34,755 were uninsured and uncollateralized.

Credit Risk:

Credit risk is the risk that the counterparty of an investment will not fulfill its obligations. The local government's policy for limiting the credit risk of investments is to comply with the UMMA.

The local government is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

For the year ended June 30, 2006, the local governments has investments of \$32,269 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

STERLING TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk:

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The local government manages its exposure to declines in fair value by investments mainly in the PTIF and by adhering to the Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Concentration of Credit Risk:

Concentration of credit risk the risk of loss attributed to the magnitude of a government's investments in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

NOTE 3 - BOND RESERVES

Bond Reserve Fund - FHA Water Revenue Bond:

The Town of Sterling is required to deposit into a bond reserve fund. The required amount to be funded is \$2,892. As of June 30, 2006, the reserve is fully funded.

Debt Service Reserve Fund - CIB Water Revenue Bond:

Beginning April 1, 1998, and continuing each month one twelfth of the annual bond payment of \$5,228 is required to be reserved until the total payment is accrued. Balance at June 30, 2006, is \$1,307.

Bond Fund Reserve - CIB Water Revenue Bond:

Payments of \$72.62 are required to be reserved for seventy-two (72) consecutive months until it reaches a balance of \$5,228. As of June 30, 2006, the reserve is fully funded.

Bond Fund Reserve - CIB Water Revenue Bond:

Beginning July 1, 2001, the Town is required to deposit into a bond reserve fund the amount of \$69.44 for seventy-two (72) consecutive months until a maximum deposit of \$5,000 is reached. As of June 30, 2006, the reserve is fully funded.

Total balance in bond reserves at June 30, 2006, is \$14,427.

STERLING TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 4 - IMPACT FEES - WATER

Effective January 19, 2000, the Town adopted an impact fee ordinance for water as follows:

Except as provided in the ordinance and any amendment to the ordinance the Town will impose impact fees as a condition of approval of all new development projects. No tentative or final subdivision map, parcel map, grading permit, building permit, final inspection, or certificate of occupancy, or other development permit, may be approved unless the impact fee has been imposed.

Until and unless modified by a subsequent resolution by the Town Council, an impact fee of \$1,600 shall be imposed with respect to any new development to be connected to the system.

The Town is required to place these impact fees into a separate interest bearing account and May expend these funds only on capital improvements, retiring debt fro the system, or other expenditures as allowed by law.

These funds must be expended within six years from receipt or the funds must be returned with interest to the payer.

One impact fee was collected and expended during the year. The balance of impact fees at year end was \$0.00.

NOTE 5 - NOTES RECEIVABLE

In September of 1997, the Town completed a water project and added additional lines for individuals outside the Town. These individuals were allowed to pay for the additions by financing with the Town. The amount financed carries an interest rate of 5%. Payments and interest began on January 1, 1998.

	<u>Amount of Payment</u>	<u>Number of Payments</u>	<u>Balance June 30, 2006</u>
Cedar Crest Bed and Breakfast Inn	71.06	120	<u><u>1,032</u></u>

STERLING TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	15,000	-	-	15,000
Land Related to Infrastructure	<u>8,800</u>	<u>-</u>	<u>-</u>	<u>8,800</u>
Total Capital Assets Not Being Depreciated	<u>23,800</u>	<u>-</u>	<u>-</u>	<u>23,800</u>
Capital Assets Being Depreciated:				
Buildings	136,000	-	-	136,000
Machinery and Equipment	31,000	-	-	31,000
Infrastructure	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>
Total Capital Assets Being Depreciated	<u>227,000</u>	<u>-</u>	<u>-</u>	<u>227,000</u>
Less Accumulated Depreciation For:				
Buildings	27,400	3,400	-	30,800
Machinery and Equipment	12,400	3,100	-	15,500
Infrastructure	<u>33,000</u>	<u>3,000</u>	<u>-</u>	<u>36,000</u>
Total Accumulated Depreciation	<u>72,800</u>	<u>9,500</u>	<u>-</u>	<u>82,300</u>
Total Capital Assets Being Depreciated (Net)	<u>154,200</u>	<u>(9,500)</u>	<u>-</u>	<u>144,700</u>
Governmental Activities Capital Assets, Net	<u>178,000</u>	<u>(9,500)</u>	<u>-</u>	<u>168,500</u>

STERLING TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 6 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Land	62,662	-	-	62,662
Water Stock	<u>52,600</u>	<u>-</u>	<u>-</u>	<u>52,600</u>
 Total Capital Assets Not Being Depreciated	 <u>115,262</u>	 <u>-</u>	 <u>-</u>	 <u>115,262</u>
 Capital Assets Being Depreciated:				
Buildings	10,891	-	-	10,891
Equipment	4,500	-	-	4,500
Utility Systems	<u>1,225,465</u>	<u>-</u>	<u>-</u>	<u>1,225,465</u>
 Total Capital Assets Being Depreciated	 <u>1,240,856</u>	 <u>-</u>	 <u>-</u>	 <u>1,240,856</u>
 Less Accumulated Depreciation For:				
Buildings	6,255	272	-	6,527
Equipment	108	54	-	162
Utility Systems	<u>284,061</u>	<u>32,138</u>	<u>-</u>	<u>316,199</u>
 Total Accumulated Depreciation	 <u>290,424</u>	 <u>32,464</u>	 <u>-</u>	 <u>322,888</u>
 Total Capital Assets Being Depreciated (Net)	 <u>950,432</u>	 <u>(32,464)</u>	 <u>-</u>	 <u>917,968</u>
 Business Type Activities Capital Assets, Net	 <u>1,065,694</u>	 <u>(32,464)</u>	 <u>-</u>	 <u>1,033,230</u>
 Total Capital Assets	 <u><u>1,243,694</u></u>	 <u><u>(41,964)</u></u>	 <u><u>-</u></u>	 <u><u>1,201,730</u></u>

STERLING TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions of the Primary Government as follows:

	Governmental Activities	Business Type Activities	Total
General Government	3,400	-	3,400
Public Safety	700	-	700
Public Health	-	32,464	32,464
Highways and Public Improvements	3,600	-	3,600
Parks and Recreation	1,800	-	1,800
Total Depreciation Expense	<u>9,500</u>	<u>32,464</u>	<u>41,964</u>

NOTE 7 - LONG-TERM DEBT

Bonds Payable:

Farmers Home Administration - 1980, 5%, Water Revenue Bonds

The following is a summary of debt service charges to maturity:

	Principal	Interest	Total
2007	1,947	945	2,892
2008	2,045	847	2,892
2009	2,147	745	2,892
2010	2,254	638	2,892
2011	2,367	525	2,892
2012-2016	<u>7,825</u>	<u>842</u>	<u>8,667</u>
Total	<u>18,585</u>	<u>4,542</u>	<u>23,127</u>

Permanent Community Impact Board - 1997, 2.5%, Water Revenue Bonds

The following is a summary of debt service charges to maturity:

	Principal	Interest	Total
2007	4,339	889	5,228
2008	4,448	780	5,228
2009	4,559	669	5,228
2010	4,673	555	5,228
2011	4,790	438	5,228
2012-2016	<u>12,977</u>	<u>515</u>	<u>13,492</u>
Total	<u>35,786</u>	<u>3,846</u>	<u>39,632</u>

STERLING TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Permanent Community Impact Board - 2001, 0%, Water Revenue Bonds

In March of 2001 the Town of Sterling issued bonds in the amount of \$130,000 to the Community Impact Board. The bonds carry a 0% interest rate and require annual payments of \$5,000 due October 1st of each year beginning in 2001 until the year 2021 when \$6,000 will be required over the next 4 years.

The following is a summary of debt service charges to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
October 1:			
2007	5,000	-	5,000
2008	5,000	-	5,000
2009	5,000	-	5,000
2010	5,000	-	5,000
2011	5,000	-	5,000
2012-2016	25,000	-	25,000
2017-2021	25,000	-	25,000
2022-2026	30,000	-	30,000
Total	<u>105,000</u>	<u>-</u>	<u>105,000</u>

The following is a amortization of total bonds payable:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	11,286	1,834	13,120
2008	11,493	1,627	13,120
2009	11,706	1,414	13,120
2010	11,927	1,193	13,120
2011	12,157	963	13,120
2012-2016	45,802	1,357	47,159
2017-2021	25,000	-	25,000
2022-2026	30,000	-	30,000
Total	<u>159,371</u>	<u>8,388</u>	<u>167,759</u>

STERLING TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 7 - LONG-TERM DEBT

The following is a schedule of changes in bonds payable:

Bond Issue:	Date of Issue	Interest Rate	Total Authorized	Outstanding June 30, 2005	Current Year Changes		Outstanding June 30, 2006
					Issued	Matured	
Farmers Home Administration Water Revenue Bonds	1980	5%	49,300	23,334	-	4,749	18,585
Permanent Community Impact Board Water Revenue Bonds	1997	2.5%	66,860	40,000	-	4,214	35,786
Permanent Community Impact Board Water Revenue Bonds	2001	0%	130,000	110,000	-	5,000	105,000
Total Bonds Payable			246,160	173,334	-	13,963	159,371

STERLING TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
Continued

NOTE 8 - CLASS "C" ROAD

The following is a schedule of receipts and disbursements in Class "C" Roads:

Balance - Beginning of Year		5,300
Receipts:		
State of Utah	10,775	
Interest	<u>265</u>	
Total Receipts		11,040
Disbursements:		
Road Maintenance		<u>(4,506)</u>
Balance - End of Year		<u><u>11,834</u></u>

NOTE 9 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the Utah Local Governments Trust. The insurance coverage's are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker.

Liability:

The Town is insured for \$2,000,000 combined single limit with a \$500 deductible per occurrence for Comprehensive General Liability. Bodily injury, personal injury, property damage, public officials errors and omissions coverage \$2,000,000 aggregate each policy period with a \$500 deductible each accident.

Automobile Liability:

The Town is insured for automobile bodily injury for \$2,000,000 combined single limit per accident with a \$250 deductible each accident. Property damage \$1,000,000 aggregate each policy period. The coverage also covers uninsured motorist \$50,000 each accident and \$50,000 each policy period

Property:

All of the property coverage is insured through Utah Local Government Trust. Buildings and equipment are covered based on appraised value with 80% coinsurance subject to a \$1,000 deductible.

Workers Compensation:

This coverage is provided through the Utah Local Government Trust.

The Town has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.

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is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**STERLING TOWN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For The Fiscal Year Ended June 30, 2006

Budgetary Comparison Schedules:

The Budgetary Comparison Schedules presented in this section of the report are for the Town's General Fund.

Budgeting and Budgetary Control:

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the Town Board prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Board through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**STERLING TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
General Property Taxes	6,000	6,000	6,456	456
Prior Years Taxes	275	275	464	189
General Sales and Use Taxes	25,000	25,000	25,917	917
Fee-In-Lieu	2,200	2,200	3,721	1,521
Total Taxes	<u>33,475</u>	<u>33,475</u>	<u>36,558</u>	<u>3,083</u>
Licenses and Permits:	<u>350</u>	<u>350</u>	<u>166</u>	<u>(184)</u>
Intergovernmental Revenue:				
Class C Road	10,500	10,500	10,775	275
Fire District	-	-	6,986	6,986
State Liquor Allotment	500	500	720	220
Total Intergovernmental Revenue	<u>11,000</u>	<u>11,000</u>	<u>18,481</u>	<u>7,481</u>
Charges for Services:				
Cemetery Revenues	<u>-</u>	<u>-</u>	<u>288</u>	<u>288</u>
Miscellaneous Revenue:				
Interest	1,775	1,775	1,362	(413)
Rents and Concessions	1,500	1,500	984	(516)
Miscellaneous	1,000	1,000	4,791	3,791
Use of Fund Balance	28,600	28,600	-	(28,600)
Total Miscellaneous Revenue	<u>32,875</u>	<u>32,875</u>	<u>7,137</u>	<u>(25,738)</u>
Total Revenues	<u>77,700</u>	<u>77,700</u>	<u>62,630</u>	<u>(15,070)</u>

**STERLING TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis) (See Note A)</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General Government:				
Administration	14,688	14,688	15,515	(827)
Other	3,700	3,700	3,148	552
Total General Government	18,388	18,388	18,663	(275)
Public Safety:				
Fire Department	10,000	10,000	11,384	(1,384)
Highway and Public Improvements:				
Repairs and Maintenance	20,000	20,000	4,506	15,494
Culture and Recreation:				
Recreation	2,000	2,000	3,100	(1,100)
Cemetery	5,000	5,000	1,213	3,787
Parks	4,000	4,000	1,069	2,931
Total Culture and Recreation	11,000	11,000	5,382	5,618
Sanitation	312	312	-	312
Health and Welfare	3,000	3,000	2,836	164
Capital Outlay	15,000	15,000	6,368	8,632
Total Expenditures	77,700	77,700	49,139	28,561
Excess Revenues Over (Under) Expenditures	-	-	13,491	13,491
Fund Balance - Beginning			27,117	
Fund Balance - Ending			40,608	